

First Graduate

Financial Statements &
Independent Auditor's Report
for the Year Ended
June 30, 2024

COOK &
COMPANY

A PROFESSIONAL ACCOUNTANCY CORPORATION

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A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Board of Directors
First Graduate
San Francisco, California

Opinion

We have audited the financial statements of First Graduate (“the Organization”), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, the changes in its net assets, its functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that were communicated with those charged with governance and, in our professional judgment, were of most significance in our audit of the financial statements of the year ended June 30, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition and Classification of Revenue and Support in the Financial Statements

We consider the recognition and classification of revenue and support, which is discussed in Note 2 of the accompanying financial statements, to be a key audit matter. Provisions of this area of accounting require the Organization to record contributions and revenues to the financial statements for the correct year. They also require categorizing revenue and support to the appropriate category based on its reciprocal or nonreciprocal nature as well as the absence or existence of donor restrictions and/or conditions. In addition, this area requires that the Organization reliably determine when performance obligations to customers are satisfied, when donor conditions are met, and when restricted amounts should be released from restriction.

This matter is considered a key audit matter because the recognition and classification of support and revenue has a pervasive effect on the Organization's financial statements, including its changes in net assets, total current assets, and composition amongst *net assets without donor restrictions* and *net assets with donor restrictions*. This area of accounting also requires the Organization to exercise significant judgment in its application of accounting standards, which have undergone changes in the past few years.

This matter was addressed in the current audit through the examination of documentary evidence that supports the recognition and classification of contributed support and contracts with customers. These procedures were instrumental in forming our opinion on the financial statements as a whole.

Allocation of Expenses to Functional Groupings in the Financial Statements

We consider the allocation of natural expense categories amongst functional groupings (i.e., *program services*, *management & general*, and *fundraising*) to be a key audit matter. This is discussed in Note 2 of the financial statements.

This matter is considered a key audit matter because certain charity rating services and some institutional funding sources have been known to evaluate nonprofit organizations according to the overall proportion of expenses allocated to program services. Furthermore, because the expense allocations are based on time-and-effort estimates rather than factual data (e.g., timesheets), they require the Organization's personnel to exercise significant judgment.

This matter was addressed during the current audit through analysis of the design and execution of the Organization's cost allocation methodology. We assessed the methodology's consistency with GAAP, reviewed the underlying employee time-and-effort estimates for reasonableness and consistency with job titles, and verified through reperformance certain allocation calculations as part of forming our opinion on the financial statements as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate, and have communicated, with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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Independent Auditor's Report
January 30, 2025
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Report on Summarized Comparative Information

We have previously audited the June 30, 2023, financial statements of First Graduate, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation
San Francisco, California
January 30, 2025

First Graduate

Statement of Financial Position June 30, 2024 with Comparative Totals for June 30, 2023

	6/30/2024	6/30/2023 (Note 2)
ASSETS		
Current Assets:		
Cash & cash equivalents	\$ 661,587	\$ 560,895
Investments (Note 3)	732,239	754,434
Grants & pledges receivable, current (Note 4)	193,334	317,333
Prepaid expenses & other	28,995	21,564
Total current assets	1,616,155	1,654,226
Grants & pledges receivable, non-current (Note 4)	128,337	160,382
Deposits	5,845	6,500
Right-of-use asset (Note 2)	213,656	59,454
Property & equipment, net (Note 5)	1,270	3,502
TOTAL ASSETS	\$ 1,965,263	\$ 1,884,064
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 44,416	\$ 32,588
Accrued vacation pay	97,739	63,600
Operating lease liability, current (Note 6)	49,092	66,352
Total current liabilities	191,247	162,540
Operating lease liability, long-term	174,997	-
TOTAL LIABILITIES	366,244	162,540
Net Assets		
Without donor restrictions	883,277	989,955
With donor restrictions (Note 7)	715,742	731,569
TOTAL NET ASSETS	1,599,019	1,721,524
TOTAL LIABILITIES & NET ASSETS	\$ 1,965,263	\$ 1,884,064

See accompanying notes to financial statements and independent auditor's report.

First Graduate

Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2024 with Comparative Totals for the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total (Note 2)
Support & Revenue:				
Foundation & corporate grants	\$ 652,884	\$ 716,986	\$ 1,369,870	\$ 1,326,866
Donations	404,568	5,000	409,568	296,349
Government grants	50,213	-	50,213	48,398
Net assets released from restriction:				
Satisfaction of donor restrictions	737,813	(737,813)	-	-
Special events - contributions	86,212	-	86,212	97,771
Special events - fair value portion	4,488	-	4,488	20,013
Special events - auction sales	11,500	-	11,500	20,000
Less: Direct event expenses	(49,909)	-	(49,909)	(71,937)
Investment dividends & interests	29,015	-	29,015	11,329
Realized & unrealized gains/(losses) on investments	(475)	-	(475)	(751)
Other income	-	-	-	74
Total support & revenue	1,926,309	(15,827)	1,910,482	1,748,112
Expenses:				
Program services	1,357,995	-	1,357,995	1,227,330
Management & general	301,598	-	301,598	328,635
Fundraising	373,394	-	373,394	362,562
Total expenses	2,032,987	-	2,032,987	1,918,527
CHANGE IN NET ASSETS	(106,678)	(15,827)	(122,505)	(170,415)
NET ASSETS, July 1	989,955	731,569	1,721,524	1,891,939
NET ASSETS, June 30	\$ 883,277	\$ 715,742	\$ 1,599,019	\$ 1,721,524

See accompanying notes to financial statements and independent auditor's report.

First Graduate

Statement of Functional Expenses for the Year Ended June 30, 2024 with Comparative Totals for the Year Ended June 30, 2023

	Program Services	Management & General	Fundraising	2024 Total	2023 Total (Note 2)
Salaries	\$ 781,176	\$ 126,678	\$ 98,816	\$ 1,006,670	\$ 994,475
Payroll taxes	61,696	10,281	7,486	79,463	80,223
Employee benefits	90,484	894	7,291	98,669	120,101
Staff development	4,485	385	315	5,185	13,049
Accounting services	-	64,722	-	64,722	68,142
Information technology support	-	10,296	-	10,296	6,480
Marketing consultants	-	8,000	20,750	28,750	29,640
Other fees for services	40,820	14,014	153,958	208,792	81,269
Rent	64,074	11,075	3,955	79,104	82,956
Office supplies & expenses	22,838	5,482	5,051	33,371	50,720
Telephone	2,418	1,725	650	4,793	3,604
Postage	91	299	6,777	7,167	9,226
Printing & copying	3,515	1,970	586	6,071	5,748
Travel & meetings	3,171	2,728	1,887	7,786	4,439
Dues & subscriptions	4,527	13,595	5,918	24,040	28,409
Insurance	-	12,209	-	12,209	12,574
Books & materials	12,229	-	-	12,229	16,206
Student fees & admissions	5,615	-	-	5,615	6,538
Student/mentor meals & snacks	16,536	179	2,100	18,815	15,955
Student travel	48,593	-	-	48,593	36,071
Scholarships awarded	181,550	-	-	181,550	156,700
Awards & honoraria	7,739	6	101	7,846	5,104
Special event production	1,636	-	85,462	87,098	79,909
Depreciation	1,807	312	112	2,231	5,267
Bad debt expense	-	-	-	-	44,612
Other expenses	2,995	16,748	22,088	41,831	33,047
Total expenses by function	\$ 1,357,995	\$ 301,598	\$ 423,303	\$ 2,082,896	\$ 1,990,464
Less expenses included with revenues on the statement of activities					
Direct expenses of fundraising events			(49,909)	(49,909)	(71,937)
Total expenses included in the expense section on the statement of activities	\$ 1,357,995	\$ 301,598	\$ 373,394	\$ 2,032,987	\$ 1,918,527

See accompanying notes to financial statements and independent auditor's report.

First Graduate

Statement of Cash Flows for the Year Ended June 30, 2024 with Comparative Totals for the Year Ended June 30, 2023

	2024	2023 (Note 2)
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ (122,505)	\$ (170,415)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	2,231	5,267
Realized & unrealized gains/losses on investments	475	751
Changes in assets and liabilities:		
Grants & pledges receivable	156,044	(4,027)
Government grants receivable	-	3,421
Prepaid expenses & deposits	(6,776)	(6,508)
Operating lease assets & liabilities	3,536	(7,041)
Accounts payable	11,828	22,955
Accrued vacation pay	34,139	4,871
Cash provided (used) by operating activities:	78,972	(150,726)
<i>Cash flows from investing activities:</i>		
Purchases of property & equipment	-	(1,597)
Purchases of investments	(1,352,670)	(1,157,143)
Redemption of investments	1,374,390	401,958
Cash provided (used) by investing activities:	21,720	(756,782)
Cash provided (used) during year	100,692	(907,508)
Cash & cash equivalents balance, beginning of year	560,895	1,468,403
Cash & cash equivalents balance, end of year	\$ 661,587	\$ 560,895
<u>Supplemental cash flow information related to leases:</u>		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ (66,500)	\$ (88,995)
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 227,580	\$ -

See accompanying notes to financial statements and independent auditor's report.

First Graduate

Notes to Financial Statements for the Year Ended June 30, 2024

1. The Organization

Nature of Activities

First Graduate (the Organization) was incorporated in November 2000 to help students finish high school and become the first in their families to graduate from college. From the seventh grade through college, the Organization's program is designed to help ensure that students enter college prepared to succeed and stay until they graduate.

Program services consist of:

- One-on-one mentoring,
- Academic instruction, tutoring and support,
- High school and college counseling,
- Family engagement activities,
- Eligibility for annual scholarships, and
- Long-term case management

First Graduate is a nonprofit organization exempt from income taxes under Internal Revenue Code Section 501(c)(3) and section 23701(d) of the California Revenue and Taxation Code. The Organization is governed by a board of directors.

Funding

Contributions are received from foundations, corporations, local government, and individuals. The Organization also holds an annual gala fundraising event.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, support is recognized when it is awarded, revenue is recognized when it is earned and expenses are recognized when they are incurred.

Cash & Cash Equivalents

Cash and cash equivalents consist of funds held in a bank checking account, as well as undeposited checks.

Investments

Investments consist of certificates of deposit with initial maturity periods greater than 90 days. Certificates of deposit rest with different banks so that they are all covered by the FDIC insurance limits. All amounts are readily accessible.

Grants & Pledges Receivable

Grants and pledges receivable are recorded based on formal promises received from donors. Amounts due within one year of the balance sheet date are stated at face value, while amounts due beyond one year are discounted to present value using applicable interest rates in effect when the underlying pledges were made.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value because of the short maturity of these instruments.

First Graduate

Notes to Financial Statements for the Year Ended June 30, 2024

Property & Equipment

First Graduate capitalizes computers, other office equipment and furnishings with an initial cost of at least \$1,500. Purchased items are stated at cost, while donated fixed assets are stated at their fair market value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 5 years for fixed assets currently on the books.

Beneficial Interest in Assets Held by Marin Community Foundation

In November 2021, First Graduate's founder contributed \$3 million to the Marin Community Foundation (the Foundation) for the purpose of establishing an endowment fund to benefit First Graduate's program. The *First Graduate Endowment Fund of the Marin Community Foundation* (the fund) is a designated beneficiary fund established to accept contributions and make an annual grant to First Graduate in accordance with the Foundation's spending rule.

The Foundation shall have variance power to unilaterally modify any restriction or condition of these funds in the event such restrictions or conditions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the needs of the community served by the Foundation. Accordingly, these funds are considered assets of the Foundation and not recognized as assets of First Graduate in the financial statements. First Graduate shall treat distributions from this fund as grants when awarded by the Foundation.

No grants were made from the fund during the year ended June 30, 2024. The fund is held in the Foundation's pooled investment funds with a target asset allocation of 75% equities and 25% fixed income securities. The fund's reported fair value was approximately \$3 million as of June 30, 2024.

Leases

Leases with an initial term of 12 months or more are recognized as a right-of-use asset and a lease liability in accordance with FASB ASC 842. The Organization entered a four-year operating lease for its San Francisco office in April 2024. The lease includes a four-month rent abatement, and rent expense is recognized on a straight-line basis over the lease term, including the abatement period. Due to the rent abatement, the lease liability currently exceeds the right-of-use asset. Both will be fully amortized by the end of the lease term.

Net Assets

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions, which includes resources not subject to, or no longer subject to, donor-imposed stipulations.

Net assets with donor restrictions, which includes resources whose use is limited by donor-imposed time and/or purpose restrictions.

Recognition of Contributions

The Organization recognizes contributions when it receives cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest.

Contributions are reported as increases in *net assets without donor restrictions* unless use of the contributed assets is limited by donor-imposed stipulations. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in *net assets without donor*

First Graduate

Notes to Financial Statements for the Year Ended June 30, 2024

restrictions unless they are encumbered by explicit donor stipulation or by law. Expirations of donor-restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time-period has elapsed) are reported as reclassifications between the applicable classes of net assets. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Special Events

The Organization periodically hosts special events to raise funds for its activities. Revenue and support consist of sponsorships, ticket sales, sales of donated auction items, and other donations. Proceeds generated from these events consist of a fee element (i.e., contract with a customer), based on the fair value of the benefits provided to event attendees, and a contribution element for the remainder. All components of event revenue and support are fully recognizable in the financial statements as of the point in time when the event occurs.

In-kind Support

In-kind contributions are reflected in the financial statements at the estimated fair market value at the date of receipt. When skilled and professional-level volunteer time is donated, it is valued at the rates First Graduate would otherwise need to pay for such services.

During the year ended June 30, 2024, in-kind donations were limited to items received and liquidated as part of the Organization's fundraising event auction. Revenues from these items were recognized according to the cash generated from the auction.

Functional Expenses

The Organization presents its expenses by function and natural category. *Program services* include the direct conduct and direct supervision of specific program activities. *Fundraising* includes efforts to solicit monetary and nonmonetary contributions. *Management & general* includes general oversight, recordkeeping, regulatory compliance, governance, financial management, and all other activities that do not constitute the direct conduct or direct supervision of specific program services or fundraising activities.

The Organization allocates each employee's compensation to functions on a semi-monthly basis according to time-and-effort estimates developed by management based on the underlying job descriptions. Overall time and effort percentages are then developed for the agency as a whole and used to allocate rent and other shared facility costs amongst the three major functions.

Other expenses are charged directly to the appropriate function based on specific identification.

All advertising costs are expensed as incurred.

Income Taxes

As a public charity organized under Internal Revenue Code Section 501(c)(3), First Graduate is exempt from income taxes, except on activities unrelated to its mission. As management believes that all of the Organization's revenue is exempt from federal and state income tax, no provision has been made for income tax expense. The Organization's federal *Return of Organization Exempt from Income Tax* (Form 990) filings for the tax years ending in 2021 through 2024 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Organization's California *Exempt Organization Annual Information Return* (Form 199) filings for the tax years ending in 2020 through 2024 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

First Graduate

Notes to Financial Statements for the Year Ended June 30, 2024

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recent Accounting Pronouncements

Leases

These financial statements reflect the Accounting Standards Update No. 2016-02—*Leases* (Topic 842) (ASU 2016-02), which the Financial Accounting Standards Board (FASB) enacted in February 2016. The standard was originally set to be effective for nonpublic entities (including nonprofit organizations) for years ending December 31, 2019, and later, with early adoption permitted. The effective date for nonpublic entities was subsequently postponed to years ending December 31, 2022, and later, with early adoption permitted. ASU 2016-02 requires that organizations present operating leases and finance leases as assets and liabilities on the statement of financial position. Previously, organizations were required to present capital leases, but not operating leases, on their statement of financial position. The standard also requires certain quantitative and qualitative disclosures regarding an organization's leases. In implementing this standard, the Organization elected the practical expedient to exclude leases with a term of 12 months or less from the statement of financial position.

Contributed Nonfinancial Assets

The financial statements reflect the adoption of Accounting Standards Update No. 2020-07—*Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07), which the FASB enacted in September 2020. The standard, which is effective for years ending June 30, 2022, and later, was designed to enhance transparency regarding the recognition and disclosure of contributed nonfinancial assets (i.e., in-kind support). Under ASU 2020-07, nonprofit organizations are required to report in-kind contributions as a separate line item on the statement of activities and changes in net assets, provide a disaggregation of the amount of in-kind contributions recognized, and disclose qualitative information about how the contributions were used or whether they were sold. If applicable, organizations are also required to disclose if they have a policy on monetizing rather than using in-kind contributions. In addition, nonprofits are required to disclose any donor-imposed restrictions on in-kind contributions. Lastly, organizations are required to describe the valuation techniques used in determining the fair value of in-kind contributions.

Contracts with Customers

Accounting Standards Update No. 2014-09—*Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09) was issued by the Financial Accounting Standards Board (FASB) in May 2014 and is effective for nonpublic entities in calendar years ending in 2020 and beyond. This update supersedes or replaces nearly all GAAP revenue recognition guidance for reciprocal transactions. These standards establish a new five-step contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The enactment of this pronouncement was reflected in the Organization's financial statements for the year ended June 30, 2021.

First Graduate

Notes to Financial Statements for the Year Ended June 30, 2024

Contributions

These financial statements also reflect the provisions Accounting Standards Update No. 2018-08—*Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Made and Contributions Received* (ASU 2018-08), which the FASB enacted in June 2018 in response to concerns and questions relating to the applicability of ASU 2014-09 to nonprofit organizations. This update provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or exchange transactions (reciprocal) and (2) determining whether a contribution is conditional. The update will result in more governmental contracts being accounted for as contributions and may delay recognition for certain grants and contributions that no longer meet the definition of unconditional. This pronouncement was effective for calendar years ending in 2019 and beyond.

Comparative Data

The financial statement information for the year ended June 30, 2023, presented for comparative purposes, is not intended to be a complete financial statement presentation. For a complete presentation of June 30, 2023, please refer to the financial statements for that year.

3. Fair Value Measurements – Investments in Certificates of Deposit

The Organization values its investments on a recurring basis in accordance with FASB ASC #820, which establishes a fair value framework in accordance with generally accepted accounting principles. ASC #820 clarifies the definition of fair value, taking the position that fair value is the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

There are three defined levels in the fair value hierarchy:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.

Level 2 – Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable (i.e., supported by little or no market activity).

Fair value of assets measured on a recurring basis at June 30, 2024, consists of certificates of deposit with various maturity dates.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$732,239	\$732,239		

First Graduate

Notes to Financial Statements for the Year Ended June 30, 2024

4. Grants & Pledges Receivable

Current

Due within one year	\$193,334
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Non-current

Due in one to three years	135,000
Less: present value discount @ 3.58%-3.99%	<u>(6,663)</u>
Subtotal – non-current	128,337

Grand total	\$321,671
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5. Property & Equipment

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furnishings	\$31,476	\$30,827	\$649
Computers & equipment	<u>17,377</u>	<u>16,756</u>	<u>621</u>
Total	\$48,853	\$47,583	\$1,270

6. Operating Lease Liability

The Organization rents its San Francisco office under a four-year operating lease which commenced in April 2024. The lease agreement established minimum monthly rent at \$5,348, followed by annual increases of approximately 3% for the duration of the lease term. The total operating lease cost for the year ended June 30, 2024 was \$75,378. The remaining lease term is 45 months and the rate used to discount future payments to present value is 5%.

The maturities of lease liabilities under the office lease are as follows:

Year ending June 30, 2025	\$59,314
Year ending June 30, 2026	66,615
Year ending June 30, 2027	68,610
Year ending June 30, 2028	52,605
Less: Unamortized discount	<u>(23,055)</u>
Total lease liabilities	\$224,089
Less amount presented as current	<u>(49,092)</u>
Total long-term lease liabilities	\$174,997

7. Net Assets with Donor Restrictions

The balance of *net assets with donor restrictions* represents contributions to First Graduate that have been restricted for a specific purpose or time period. Details are as follows:

College scholarships and related program support	\$489,606
To support labor costs	192,803
Program development	<u>33,333</u>
Total	\$715,742

First Graduate

Notes to Financial Statements for the Year Ended June 30, 2024

8. Retirement Plan

First Graduate maintains a 403(b) retirement savings plan for its employees. There were no employer contributions to employee accounts for the year ended June 30, 2024.

9. Contingencies

Satisfaction of Donor Requirements

First Graduate receives contributions that are restricted for a specific program or purpose. If such restrictions are not met in accordance with the funding source agreement, there is the possibility that funds would have to be returned to the donor. It is management's opinion that all donor requirements have been met for contributions that have been released from *net assets with donor restrictions* or recorded directly to *net assets without donor restrictions*.

Concentration of Cash Deposits

First Graduate maintains its cash within a single financial institution. The Federal Deposit Insurance Corporation only insures up to \$250,000. Although this presents the possibility of loss, management believes that the risk is minimal.

10. Liquidity & Availability of Financial Assets

First Graduate regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. First Graduate has various sources of liquidity at its disposal, including cash and cash equivalents, and equity securities and a credit card.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, First Graduate considers all expenditures related to its ongoing activities of supporting college access and persistence, youth development, research, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, First Graduate operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash.

As of June 30, 2024, the following table shows the total financial assets held by First Graduate and the amounts of those financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash & equivalents	\$661,587
Investments	732,239
Grants & pledges receivable	<u>193,334</u>
Total	\$1,587,160*

*The total presented for financial assets available within one year for general expenditures is not reduced by the balance of net assets with donor restrictions since such restricted amounts are available for the Organization's ongoing and major activities.

First Graduate

Notes to Financial Statements for the Year Ended June 30, 2024

11. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through January 30, 2025, the date the financial statements were available to be issued.